

# Rents Down! Savings Up! Homes Easy!

In last week's edition this magazine told of the building of some very desirable homes at Dearborn, Michigan. This article deals with financing the project.

IN SOLVING the housing problem, building homes, of course, is the prime requisite. Dwellings must be put up, and put up by the thousands, without delay. That is obvious. But selling houses, after they are built, is a matter that requires considerable care and thought, too.

A house is useless if it is beyond the financial reach of the one who needs shelter. And so, since it is rarely that a residence is purchased in an outright cash transaction, contract terms must be arranged so that the buyer may be able to acquire ownership as soon as possible, and yet meet his other expenses of living. At the same time, the person on the opposite side of the transaction—the builder and seller—must have as early and as liberal a return on his investment as is possible. It is difficult to figure out arrangements of that sort which will meet the approval of both parties. But it can be done. It has been done, by the same group of men whose success in creating an ideal colony for Ford workers at Dearborn, Michigan, was narrated in last week's Dearborn Independent.

These "Builders with Brains," using the same sort of intelligence that urged them to go ahead and build while other organizations were waiting for that indefinite time when materials and labor would be lower, worked out a system of payments which has proved satisfactory to both themselves and to the home-seekers for whose needs they had provided.

The terms upon which these houses were sold were decided upon after it had been determined just how much their construction had cost. The builders calculated how much the material and labor had come to, then added the pro-rata cost of each plot of land, as well as the pro-rata assessment for concrete streets, sewer-system, street lighting, parkways, etc., and finally a flat rate of profit for the company.

By this system it was worked out that the Dearborn homes should be sold at prices ranging between \$6,750 and \$7,750, according to type, some dwellings—larger or more elaborately finished, or veneered with brick instead of being all wood—having naturally cost more than others.

These prices were considerably below what the ordinary market rates for such houses and lots would be. In the first place, the Builders with Brains had purchased, economically, a large tract of land. Then, by buying supplies and materials for all the homes at once they effected another big saving. Besides, they contented themselves with a profit not nearly so large as ordinary builders must have. The values they offered to the Ford workers were genuine bargains; there is no doubt of that.

The selling plan is this: The purchaser must pay in cash as much as he can in the beginning, and nothing less than 5 per cent of the total price. Thus on a \$7,000 house the lowest initial payment that would be accepted is \$350. Then the buyer contracts to pay, in monthly installments, an amount within five years which will total half the value of the house. After that the remaining half may be taken care of by a mortgage or may be paid off on any terms the householder cares to make.

Here is a typical transaction: A man selects a \$7,000 house. He pays down \$500 (that is what most of them did—\$500 or \$1,000 or even better), which leaves him owing \$6,500. Now, he must pay half of this sum, or \$3,250, within five years. That means \$650 a year, or, by the installments which in these contracts are called for, \$54.17 a month. That is, he pays this sum against the principal of his debt, wiping it out as he goes along.

But at the same time he must pay interest on his whole debt or whatever part of it remains unpaid. For instance, owing \$6,500 at the time he makes his first payment, he owes also one month's interest on that sum, which figures down to \$32.50, at 6 per cent. This, added to the \$54.17 applied monthly against the principal, makes a total of \$86.67 as his first monthly payment.

In order to avoid the difficulty of fractions, however, which would persist throughout the whole term of payment, the company made a flat rate of \$80 a month for the man who bought a \$7,000 house and deposited \$500 cash—and, indeed, various flat rates for all other houses and all other first-payment sums.

The \$80 flat rate works out this way: \$32.50 of it, the first month, goes for interest, and \$47.50 as payment against the principal. The interest, a mathematical formula shows, decreases each month by 24 cents. This sum will be added to the payment against the principal. Therefore, in the second month the purchaser's money is applied thus: to interest, \$32.26, reduction of principal, \$47.74. The third month will show: interest, \$32.02, reduction of principal, \$47.98. At the end of the year the \$80 is split: for interest, \$29.62, for reduction of principal, \$50.38. At the end of the five years, the final monthly payment is divided: to interest, \$18.10, for reduction of principal, \$61.90.

Eighty dollars a month may seem like rather a high payment, but it is not, for several reasons. The main reason is that the larger part of it—the monthly sum beginning in this case with \$47.50 and ranging upward, as time advances, until it reaches \$61.90—represents a pure saving. The housebuyer gets that increasingly large sum back—in the shape of his ownership of the house, which, in this section, is bound to increase, rather than decrease, in value as the years pass. It is like putting money in the bank.

The smaller fraction of the monthly \$80—that fraction which begins with \$32.50 and ranges downward until it gets down to \$18.10—is the only thing that the house-purchaser does not get back. That is the interest on his debt.

But he gets a great bargain here, too, for this interest charge, it may be said, is the "rent" he is paying for the use of his house. And even the highest interest-sum per month—\$32.50—is ridiculously low for such

a house as he is occupying. These Dearborn houses, if constructed and sold as a purely commercial proposition, would bring a sale price of at least \$10,000 in Detroit or any of its environs, and certainly could not be rented for anything less than \$100 a month. For this sum the renter would get nothing back at all, except the use of the house, whereas, while purchasing one of these "built with brains" dwellings, the occupant has a constantly decreasing rent, which finally reaches the absurd figure of \$18.10.

The figures quoted above are merely for a \$7,000 house with a \$500 initial payment. The more cash a purchaser deposits in the first place, the less his monthly payments will be, as a matter of course. The man who has saved his money is thus rewarded by having an easier time buying his home than the man who hasn't saved—which is as it should be.

Following is a table showing the manner in which payments for these homes have been arranged:

Price \$6,750		Price \$7,000 and \$7,250	
Cash Payment	Monthly Rate	Cash Payment	Monthly Rate
\$ 500	\$75	500	80
750	70	750	75
1,000	65	1,000	70
1,250	60	1,250	65
1,500	55	1,500	60
2,000	45	2,000	50
2,500	35	2,500	40

  

Price \$7,500		Price \$7,750	
Cash Payment	Monthly Rate	Cash Payment	Monthly Rate
500	85	500	85
750	80	750	80
1,000	75	1,000	75
1,250	70	1,250	70
1,500	65	1,500	65
2,000	55	2,000	60
2,500	45	2,500	50

Some of these "flat-rate" monthly payments do not work out exactly to five years for the liquidation of half the indebtedness, but they are near enough for all practical purposes. It was interesting to the builders—and encouraging to those who have the welfare of the Ford workmen at heart—to note that very few home-buyers sought to begin their operations with the 5 per cent minimum of cash that the realty company would accept. Out of their earnings of \$6 and \$7 a

day and upward many had laid by sums which enabled them to put down \$500, \$1,000 or even more, and thus take advantage of the easier payments provided for in such cases.

After the purchaser obtains his home, he must keep it—at least for a considerable period. There is a strict provision in the contract prohibiting the sale of these houses by those who purchase them, within seven years of the time the contract is signed.

The originators of the home plan had two things in mind when they made this stipulation. First, they wanted to keep up the high standard of the new community by having as residents only persons whose history and character were known. Then again, the company did not go into the project on a speculative basis (if it had, it might have made a great deal more money) and therefore the directors felt that the purchasers should not have the right to speculate by purchasing a house at an under-market price and on easy terms, and then selling it for the sake of making a few hundred dollars profit.

If for any legitimate reason a purchaser desires to give up his home, or if he cannot keep up the payments on it, the company will at any time buy it from him for his full equity. After the lapse of seven years he may dispose of his home as he wishes. It is felt, however, that few who have lived for seven years in the one place and who have earned its complete ownership by their own efforts, will sell for a little profit, nor will they sell carelessly to anyone who comes along.

The builders of this Dearborn community hope to see the purchasers settle down as permanent residents and take an active part in the growth of Dearborn village, which promises before long to be a good-sized town and some day perhaps will be a city. The builders have in mind (though this is for the future to decide) schools, community meeting-places, classes of various sorts and other assemblages which will foster health, comfort and solid Americanism.

It is probable that next spring twice as many additional houses will be erected under the same general conditions by the same Builders with Brains, in the region adjoining this ideal home colony.

Is there any good reason why colonies like this could not be brought into existence in or near other cities? Doesn't this prove that it is not only feasible but profitable to build right now? If a few hundred groups of builders with the intelligence and courage of the Dearborn group went ahead, wouldn't our housing problem soon become merely an unpleasant memory?

## Urges Girls to Marry at Eighteen

FOR physical, romantic and social reasons, girls should marry when 18 years old, because then they have better children, are happier—they and their husbands growing together with the years. For the sake of their nerves and general health, women, after marriage, should continue to work and should never marry a man who thinks it a reproach for his wife to work.

Dr. Ada Potter, of Utrecht, Holland, one of the distinguished women physicians here, suggests these things for the betterment of womankind, and this betterment is the object of the gathering of women physicians from the world over.

Early marriages are being encouraged in Holland because it is rapidly becoming the general belief that these unions are more likely to be love matches rather than marriages for economic or social reasons, according to Dr. Potter, who summed up her entire talk with the advice to "start right, love right, work right."

The woman who marries for a solely economic reason is making a big mistake, in Dr. Potter's opinion, for the married woman has three positions to take care of. She is the homemaker, she is the manager and she is the general worker in her household. Almost any woman could make a far easier living in some other manner than marriage.

"A woman needs to be three times as strong and well to be married as in any other occupation," Dr. Potter said. "In efficient, happy marriage she is working at three jobs. She is the wife, the loving comrade of her husband and she is the understanding mother of her children; she is the homemaker, the manager and the worker in her household, and surely

these three jobs are enough to make her realize that, outside of wedlock, she could make a far easier living.

"The best age for a woman to marry, physically, economically and romantically, is 18," continued the physician, with self-confident emphasis. "Romance is the flower of youth and if a woman waits until she is 28 or 30 years old before marrying, her marriage is probably a matter of economics rather than love. When a girl and a man marry young they have better children and a better chance of happiness, for they grow together with the years.

"In my country our divorces are very few and I think it is because, after marriage, our women work. After love, I consider this the fundamental reason for happy marriages. If our women do nothing else they manage their own households and their children. I believe we average larger families in Holland than you do here, although doctors in good standing are permitted, in my country, to limit families if they consider the health of the woman demands it.

"The healthy woman who marries for love chooses the ideal life, for it is the most completely rounded and satisfying career she can select. Her love makes it possible to satisfy all the intricate requirements, but she must continue to work to be happy. When she weds to obtain an easy means of support she is making a big mistake because in almost any other line of work she could make an easier living.

"Why, in Holland, many of our women continue after marriage the business or professional work in which they had previously engaged. We have very few idle married women."—From the Detroit News.

## A Test of Justice

SCHOOL TEACHERS in New York begin with \$30 a month. Rag pickers are receiving \$33 a week. The rag pickers' wage is not too much, when one considers the importance of rags in paper and carpet manufacture, and the profit of the industry, and the sanative value of the service. But the other salary is too small for school teachers.

Those who are interested in social problems and social justice can do well to watch the treatment received by school teachers, library workers, and similar servants of public culture. We can judge the depth and seriousness of the present demand for social justice by the policy of a community toward these workers.

School teachers in Boston have been forbidden to make any appeal or representations to the Massachusetts legislature in the matter of salaries. They cannot appear before the legislature. School teachers in New York have been told, by some authorities at least, that if they do not like the salaries they can resign.

Now the salary and living conditions of a steel worker, or a miner, or a railroad man are largely the responsibility of the employing corporation. At times a public demand has forced the employing corporations

to advance the salaries of such employees. No one regrets this. No one regrets that a rag picker receives \$33 a week.

But the school teacher is not the employee of any remote and unpopular corporation. She is our employee. Her wage scale represents not the greed or the generosity of a corporation, but the liberality and justice of the whole community. And if the community continues to demand the best of service from teachers, at the smallest compensation, that community has not yet attained a sense of social justice, and there will be no social justice in that community.

The complaint against underpayment of teachers is an old one. It is dwelt upon by Roger Ascham, who wrote his "Schoolmaster" in the reign of Henry VIII. But we have rid ourselves of many old abuses within the past few years, and this is another antiquated evil which must go. But while the evil remains, it is an index to us that the community has not yet reached a modern sense of social justice. And so long as that evil remains, so long as we urge railroads to pay more, and mines to pay more, and master barbers to pay more—while we as a community continue to pay no more—we are showing that as a community we are unworthy of the generous spirit of the age.